

7.0 Compensation Approach

The purpose of this section is to explain SDU Service Provider (SP) compensation. The bidders shall take this information into account when completing the Compensation Rate Schedule in accordance with the instructions in RFP Section 8.6.1 Division 5 – Financial Response.

The SDU Compensation Approach that will be used for this procurement is a performance based approach. This Compensation Approach ties the SP compensation to business services (collections and disbursements) and performance (transactions). Performance is generally measured by the number of successfully processed collection and disbursement transactions. With this Compensation Approach the SP will be compensated on a per transaction basis. Additionally, the SP will be entitled to “Other Compensation” for Help Desk and Non IV-D Customer Service Center services. The SP will also be eligible to receive a one time Implementation payment and a one time Turnover payment as defined in this RFP. These one time payments are payable to the SP upon State acceptance of the SDU Implementation Assessment Review (IAR) Report and the Turnover Activity Completion Report. **During the initial implementation phase no transactions will be processed and therefore no compensation shall be paid including “Other Compensation” and no reimbursements shall be paid. Compensation and reimbursements shall only be paid during SDU Operations.**

The SP shall only propose rates per transaction and one time payments as described in the instructions in this RFP. The rates and payments bid per transaction and one time payments shall be for all services provided and required in this RFP. The exception is postage, which is a reimbursable item. Therefore, postage fees are not to be incorporated into the transaction rates bid for Collections, Disbursements or Other Compensation.

The SDU Compensation Approach also concerns the quality of SP Services. Service Level Objectives (SLOs) have been established to measure timely quality performance that will result in monthly adjustments to the SP’s compensation when these SLOs are not met. The Service Level Objectives measure performance on a daily per transaction basis. Additionally, management performance will be measured using a Balanced Scorecard (BSC) assessment. The Balanced Scorecard will be used to evaluate the overall SP’s performance on a quarterly basis and rate areas generally not covered by monthly adjusted SLOs. If performance deficiencies are found and rated unsatisfactory, adjustments shall be made to the SP’s compensation for that month.

7.1 Compensation Rate Schedule

The SDU SP shall be compensated for all services provided using the Compensation Rate Schedule Exhibit 8N. The Compensation Rate Schedule is designed to ensure that CCSAS Project risks and benefits are shared and the risks are mitigated. The bidder shall use RFP Exhibit 8N Compensation Rate Schedule to bid a rate per transaction and a volume variance for all SDU Services. RFP Exhibit 8N Compensation Rate Schedule must be included as a part of the bidder's Financial Response in Volume 2.

The RFP Exhibit 7A Compensation Rate Schedule Example illustrates how transaction based compensation is determined for the SP. The compensation rates and volumes shown in the RFP Exhibit 7A Compensation Rate Schedule Example are not intended to resemble or suggest actual rates and volumes. They are only shown as an example for calculation purposes. The Compensation Rate Schedule contains three parts.

Part 1 of the Compensation Rate Schedule concerns monthly collection and disbursement compensation, reimbursements and the one time payments for Implementation and Turnover which together comprise Baseline Compensation. Baseline Compensation is the maximum amount available for payment to the SP in a month, including reimbursements for postage. Baseline Compensation is calculated each month based on the actual volumes processed during the month times the applicable rate bid for that payment period. **SP shall not receive Baseline Compensation prior to SDU Operations.** For compensation purposes, SDU Operations shall mean when the first child support payment transaction is processed for either collections or disbursements and after the State has accepted the SDU Operational Readiness Assessment and Review Report. If no Baseline Compensation transactions as defined in this RFP have been processed during SDU Operations, no compensation is payable.

Baseline Compensation for each month of the contract shall be paid in an amount equal to the monthly volume times the applicable rate for the month. Applicable rates shall be set for each six month payment period of SDU operation. For Collections, three baseline transaction rates shall be bid, one each for credit card, electronic fund transfer and paper check type payment transactions for each six month payment period. For Disbursements, one baseline transaction rate shall be bid for all types of disbursements for each six month payment period. Different rates may be bid for each six month period. These rates shall be based on the Collections and Disbursements volumes provided by the State. The SP may bid additional rates for variances from these volumes up to a maximum and down to a minimum level. During the first 18 months of SDU Operations the applicable transaction rate for Collections and Disbursements shall be the baseline rate and no rates for volume variances shall be considered. During the next six month period the applicable Collection and Disbursement transaction rates shall be the rate that corresponds to the average of the actual volumes processed during the twelve months immediately proceeding that six month payment period. Each succeeding six month payment period shall use the Collections and Disbursement

transactions rate that corresponds to the volumes experienced during the twelve prior months.

Part 2 of the Compensation Rate Schedule concerns Help Desk and Non IV-D Customer Service Center services for which the SP will receive “Other Compensation” on a per transaction basis. **SP shall not receive Other Compensation prior to SDU Operations.** For compensation purposes, SDU Operations shall mean when the first child support payment transaction is processed for either collections or disbursements and after the State has accepted the SDU Operational Readiness Assessment and Review Report. If no Other Compensation transactions as defined in this RFP have been processed during SDU Operations, no compensation is payable. Separate transaction rates shall be bid for Help Desk and Non IV-D Customer Service Center services. These rates shall be based on the Help Desk and Non IV-D Customer Service Center Volumes provided by the SP.

For Help Desk services, the SP shall bid a baseline transaction rate for each six month payment period during SDU Operations. The SP may bid different rates for each six month payment period and additional rates for variances from the volumes provided up to a maximum and down to a minimum level. During the first 18 months of SDU Operations the applicable transaction rate for Help Desk compensation shall be the baseline rate and no rates for volume variances shall be considered. During the next six month period the applicable Help Desk transaction rate for compensation purposes shall be the rate that corresponds to the actual volumes processed during the twelve months immediately preceding that six month payment period. Each succeeding six month payment period shall use the Help Desk transaction rate that corresponds to the volumes experienced during the twelve prior months.

For the Non IV-D Customer Service Center services the SP shall bid a baseline transaction rate for three six month payment periods (18 months). The SP may bid different rates for each six month payment period and additional rates for variances from the volumes provided up to a maximum and down to a minimum level. The SP shall not bid more than 18 consecutive months of Non IV-D Customer Service Center services beginning with SDU Operations. During SDU Operations, the applicable transaction rate for Non IV-D Customer Service Center compensation shall be the rate that corresponds to the actual volumes processed during the six month payment period.

Part 3 of the Compensation Rate Schedule concerns the Service Level Objective (SLO) adjustments. Service Level Objectives are performance standards used to measure quality based on compliance with selected performance requirements stated in RFP Section 6 Statements of Work. Selected SLOs shall be used as reflected in the Compensation Rate Schedule Exhibit 8N to offset monthly compensation when performance is not met. The SP shall bid one rate for each of the selected SLOs for each six month payment period during SDU operations. The SP may bid different rates for each six month period.

7.1.1 Baseline Compensation

Baseline Compensation is the amount payable to the SP each month, including reimbursements, before offsets. Business transactions will be processed by the SP each month consisting of both collections, including all three types of payments, and disbursements. The SP will be eligible for a one time Implementation payment and a one time Turnover payment that is considered a part of the Baseline Compensation. Together the transactions, reimbursements, and the Implementation and Turnover payments, if applicable, are used to compute the Baseline Compensation amount available for compensation for a month. The estimated volumes from Tables 7-1 and 7-2 are provided for SP use in preparing the rates bid for Collection and Disbursement transactions.

7.1.1.1 Implementation Payment (this section added per CR-3-00032 and updated per CR-3-1045-01) (Amendment #3 090506)

The state shall make two Implementation Payments to the Service Provider. The first Implementation Payment, in the amount of \$12,246,932.00 shall become payable upon Service Provider invoicing after demonstrated SDU operational readiness as determined by State acceptance of CDL IM 016 SDU Implementation Assessment Review Report for Implementation 1. The Second Implementation Payment, not to exceed the amount of \$1,772,331.00, shall become payable to the Service Provider upon successful completion of the applicable test scripts as described in the State's System Qualification Test Plan for Version 1.3 for the following forms:

1. DCSS 0535 SWS – Case Initiation and Family Violence Notice – Non IV-D
2. DCSS 0534V1 – Non IV-D Family Violence Letter
3. DCSS 0321V1 – Non IV-D Family Violence Questionnaire
4. DCSS 0413V1 – Non IV-D Family Violence Questionnaire Cover
5. DCSS 0416V1 – Non IV-D Affidavit of Facts Supporting Claim of Family Violence

The checklist related to this CDL IM 016 SDU Implementation Assessment Review Report for Implementation of CSE Version 1.3 shall only contain readiness items related to the changes contained in this Change Order unless otherwise agreed upon by the parties. The Second Implementation Payment includes a budgeted amount for implementation phasing costs. The SP shall invoice for implementation phasing costs actually accrued, not to exceed \$939,885.00

7.1.1.2 Turnover Payment

The SP will be compensated for a one time Turnover payment upon execution and State acceptance of CDL IM 011 the Turnover Activity Completion Report. SP compensation is payable only in the event of execution of the Turnover services, and State acceptance of the Turnover Activity Completion Report. The amount of compensation received shall be the amount bid for the one time Turnover payment within the Baseline Compensation Section of the Compensation Rate Schedule. The

bidder should consider all required Turnover services to be provided (except those services to deliver the required Turnover Plans) in computing the bid amount.

7.1.1.3 Collection Transactions

All child support payments received and processed by the SDU either by mail or electronically become collection transactions upon processing. Collection transactions are the unit of measurement used to account for services performed by the SP to earn compensation. Figure 7-1 shows that a single payment received from an employer could represent multiple collection transactions when identifying information is supplied by an employer and transmitted to the CSE. For example, one payment from an employer containing multiple employee withholdings would equal many collection transactions upon processing and transmitting to the CSE. A single payment received with no information indicating a multiple payment will be treated as a single collection transaction upon processing and transmitting to the CSE.

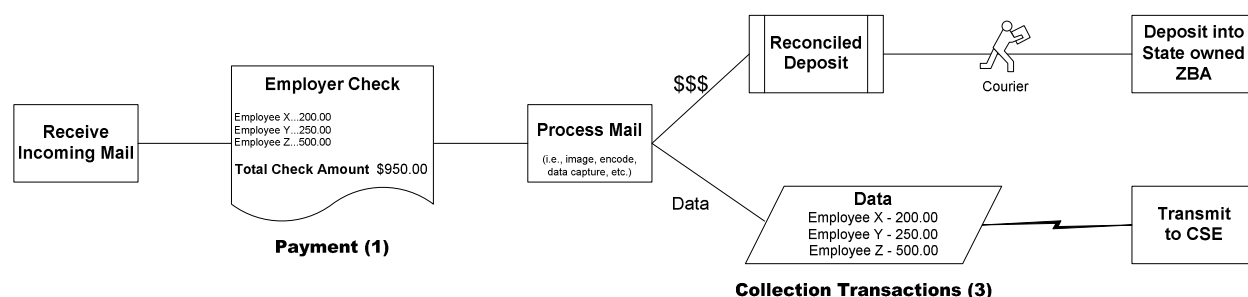


Figure 7-1, Payment to Collection Transaction relationship (e.g., 1 to many)

A payment received from a payor or an employer with a single obligation noted, will be treated like a single collection transaction upon processing and transmitting to the CSE, refer to figure 7-2.

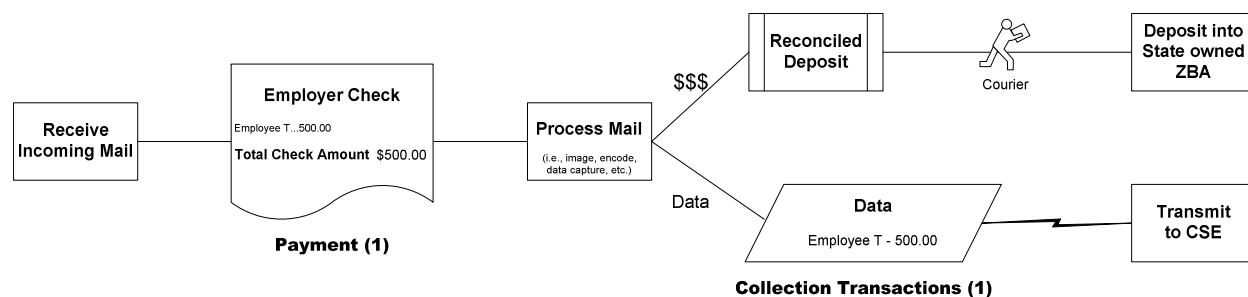
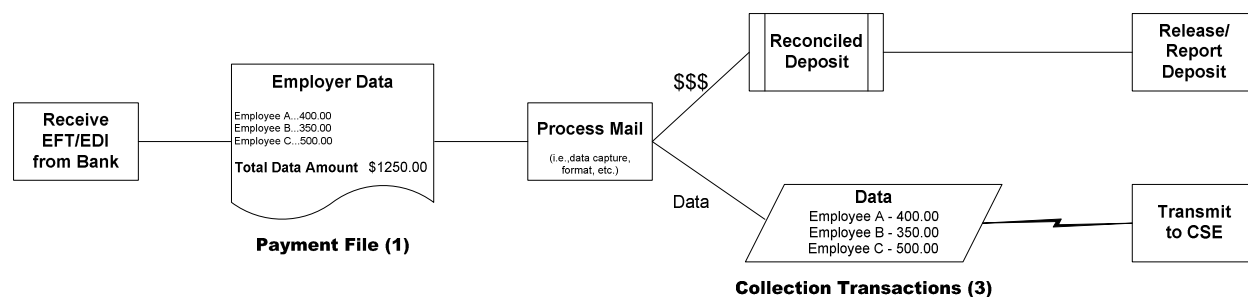


Figure 7-2, Payment to Collection Transaction relationship (e.g., 1 to 1)

The term collection transaction refers to both paper and electronic payments received and processed. Collection transactions relationships remain the same whether paper or electronic; refer to Figure 7-3 for Electronic Payments relationship to Collection Transactions.



**Figure 7-3, Electronic Payment to Collection Transaction relationship
(e.g., 1 to many)**

Throughout the day collection transactions will be processed and transmitted to the CSE. Performance is measured at the collection transaction level. Compensation for processing collection transactions shall be on a “per collection transaction” basis for each transaction successfully delivered to the CSE. The bidder is responsible for all activities associated with the timely processing, banking and reporting of the child support payments. This includes the generation and transmission of collection transaction data to the CSE. Refer to RFP Section 4 Description of SDU Business Solution and RFP Section 6 Statements of Work for collection processing activities and services. In RFP Section 8.5.5.6 Division 2.6 – Collections requires the bidders to define and describe the approach and method for collection processing activities in its proposal response.

Compensation is calculated on the reported number of processed collection transactions successfully transmitted to the State times the rate bid per transaction. The SP, on a monthly basis, will submit an invoice to the State for compensation.

7.1.1.4 Disbursement Transactions

All disbursement instructions received and executed become disbursement transactions upon disbursing child support payments. Disbursement transactions are the unit of measurement used to account for services performed by the SP to earn compensation. Refer to figure 7-4 for the relationship of disbursement instructions to disbursement transactions. Disbursement instructions received to disbursement transactions have a one to one relationship for earning potential.

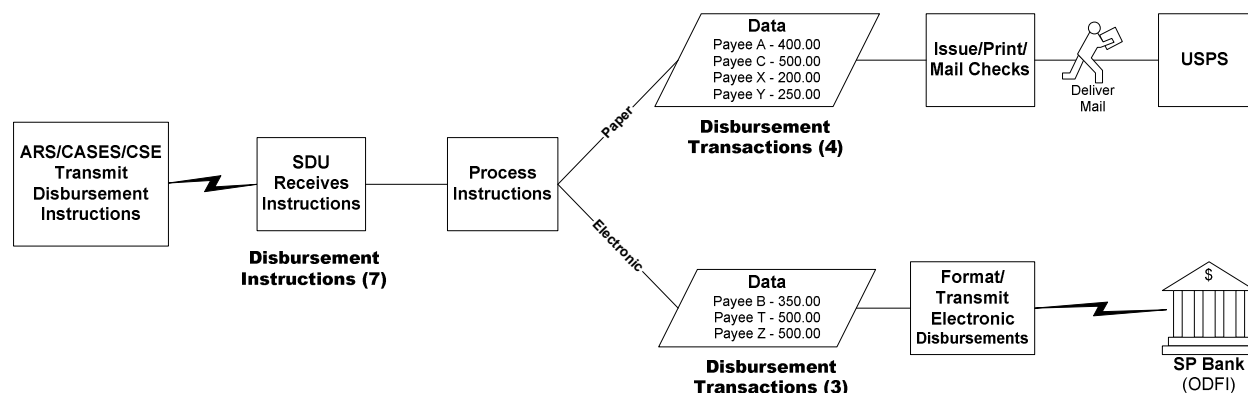


Figure 7-4, Disbursement Instructions to Disbursement Transactions relationship (e.g., 1 to 1)

The bidder is responsible for all activities associated with the timely disbursing of payments by mail or by electronic commerce according to the disbursement instructions received from the State. This includes the timely transmission of disbursement status information to the appropriate source (e.g., ARS, CASES, CSE).

Throughout the day disbursement instructions will be processed and payments issued. Performance is measured at the disbursement transaction level. Compensation for processing disbursement transactions shall be on a “per disbursement transaction” basis for each successfully executed transaction from the State. The bidder is responsible for all activities associated with the timely receiving, processing, executing and reporting of the child support disbursements. Refer to RFP Section 4 Description of SDU Business Solution and RFP Section 6 Statements of Work DB 1.0 Disbursement Services for disbursement processing activities. In RFP Section 8.4.5.2 Division 2.2 Operational Concept requires QBP’s to include a description of their disbursement processing activities in Division 2.2.6 Disbursement of their proposal response.

Compensation is calculated on the reported number of successfully executed disbursement transactions times the rate bid per transaction. The SP, on a monthly basis, will submit an invoice to the State for compensation.

7.1.2 Other Compensation

The SP will be entitled to “Other Compensation” defined as Help Desk closed tickets and Non IV-D Customer Service Center resolved service requests during and only during SDU Operations. Note that the Statements of Work require the SP to track closed Help Desk tickets and resolved service requests. The narrative in Section 7.1.3 describes the use of the closed Help Desk tickets and resolved Non IV-D Customer Service service requests for purposes of compensation. The narrative is not intended to

imply that the SPs obligation to track closed Help Desk tickets and resolved service requests is only dependent on their use for compensation. Other Compensation may include compensation to the SP related to change orders as agreed upon by the parties (updated with CR-3-00043).

7.1.3 Help Desk and Non IV-D Customer Service

The SP will provide an SDU Help Desk to respond to electronic payment and disbursement processing questions and problems, and provide a Non IV-D Customer Service Center (CSC) to support Non IV-D communications including Non IV-D customer service telephone calls and correspondence. The Help Desk calls will be direct from employers, CPs, NCPs and other states and referrals from LCSAs the Non IV-D CSC in Version 1 and referrals from the CSE Customer Service Support Center in Version 2. The Help Desk calls will generally concern the submission, receipt, authorization, or termination of requests for electronic payment services. When SDU Operations begins, the SP shall track call activities per the SDU Help Desk related SOWs and report closed tickets to the State. These closed tickets shall be the basis for SP Help Desk compensation. Help Desk tickets completed and closed will be paid on a per "Ticket Closed" transaction basis. Similarly, when SDU Operations begins the SP shall track and report Non IV-D CSC Service Requests. Non IV-D CSC Service Requests completed and closed shall be paid on a per "Service Request Resolved" transaction basis.

The SP shall bid a Help Desk transaction rate for each six month payment period during SDU Operations. The SP shall be paid an amount equal to the applicable rate bid times the actual number of tickets closed during an SDU Operations month. For compensation purposes a closed Help Desk ticket is defined as when the call of origin requires no further action by the SP. The SP shall report and the State will monitor Help Desk tickets closed.

The SP shall bid a Non IV-D Customer Service Center transaction rate for each six month payment period during SDU Operations. The SP shall be paid an amount equal to the applicable rate bid times the actual number of service requests closed during an SDU Operations month. For compensation purposes a closed Non IV-D CSC service request is defined as when the call of origin requires no further action by the SP. The SP shall report and the State will monitor Non IV-D CSC service requests resolved.

The Help Desk and Non IV-D CSC activities will be subject to meeting SLOs as defined in Section 6 of the RFP and the SP will be evaluated based on meeting those performance standards. These performance evaluations will be conducted as a part of the quarterly Balance Scorecard.

Refer to RFP Section 4 for more information on the SDU Help Desk and Non IV-D CSC SP roles and responsibilities. The SDU Help Desk and Non IV-D CSC roles and

responsibilities along with the associated RFP Section 6 Statements of Work should be considered when developing the transaction bid rates.

7.1.4 Service Level Objective (SLO) Adjustment

Service Level Objectives (SLOs) are measurable performance requirements in RFP Section 6 Statements of Work. SLOs encompass both collection and disbursement activities ensuring that services are delivered timely and accurately. The SP is responsible for providing a daily report which includes collections and disbursements activity for all business transactions. Some of these business transactions reported may fail to meet SLOs as stated in the SOWs. These non-performance transactions should be included in the Daily Operations Report for collections and disbursements (SOW OM 1.2). Non-performance transactions will be subject to the SLO Adjustment amount at the rate bid per transaction for each specific SOW SLO missed. If more than one SOW SLO is missed by a single transaction, such as timely deposit and transmission of data to the State, then compensation shall be adjusted for both missed SLOs. SLOs can be found in Section 6 Statements of Work under Collections and Disbursements.

The number of non-performance transactions will be used to calculate the SLO Adjustment amount. This is computed on a per transaction basis using the reported number of non-performance transactions times the rate bid for each specific SOW SLO. This SLO Adjustment amount is deducted from the Baseline Compensation amount on a monthly basis.

7.1.5 Compensation Volumes

The Compensation volumes provided in Table 7-1 shall be used in preparing the bidder's Compensation Rate Schedule. The volumes shown apply, at a high-level, the implementation strategy, from RFP Section 4.5 CCSAS Implementation. These volumes are intended for bidding purpose only and are not intended to prescribe details of an SDU Operations implementation. Actual SDU operation volumes may differ. The estimated growth rate used for the collection and disbursement volumes is a combination of the Child Support Program projections and trend analysis over the term of the contract. The Compensation Volumes located in Table 7-1 for collections and disbursements are six month estimated volumes on an SDU operations year basis.

The State makes no warranties, express or implied, as to the accuracy of these volumes. No assumptions should be made based on this information. There is no guarantee that these volumes will remain constant or represent the volumes the bidder might actually experience in any of the years covered by the SDU contract.

7.1.6 Other Compensation resulting from Change Orders

This section addresses “Other Compensation” for services rendered by the Service Provider after the beginning of SDU Operations and that are the result of agreed-upon change orders executed by the parties to this Service Agreement.

7.1.6.1 Change Order CR-3-00043 – SDU Test Services (added Amendment #2 060706)

The State shall compensate the Service Provider \$25,115 for modification to the Version 1 check template as described in CR-3-00043. Compensation shall be paid upon State acceptance and verification of the required changes per CR-3-00043 of the Version 1 check template.

7.1.6.2 Change Order CR-3-00040 – Modify V1 Check Templates (added Amendment #2 060706)

The State shall compensate the Service Provider \$812,500 for additional SDU Testing Services as described in SOW IM 3.23. Compensation shall be paid upon State verification that the agreed-upon test scripts as described in SDU Test Environment Validation Description can be being executed in the State’s testing environment. The parties agree that the SDU Test Environment Validation Description will consist of one or two files of the type designated by the State.

7.1.6.3 Change Order CR-C-00052 – Non IV-D Collections (added Amendment #2 060706)

The State shall compensate the Service Provider for the adjustment of the Non IV-D collection approach, as more particularly described in Change Order CR-C-00052 which is incorporated into this Service Agreement, the total amount of \$6,165,744.00. This compensation shall be paid upon the Service Provider meeting the conditions as described in each of the compensation milestones.

Compensation Milestone 52-1 – Upon the State’s acceptance of the SDU Implementation Assessment Review 3 (“SDU IAR 3”), the State will compensate the Service Provider a total of \$2,000,000.00. The SDU IAR 3 acceptance checklist shall include:

- a. Update to SDU Interface Implementation Description for PMF changes IM 005-1;
- b. Update to SDU Implementation Plan IM 001;
- c. Update to SDU Outreach Plan IM 015;
- d. Update to SDU Collection Procedures CO 001-1;
- e. Update to SDU internal CE and DE User Training Guides if needed;
- f. Update to Internal job aides and procedures if needed;
- g. Update to SDU Operation Management Plan OM 001;

- h. Update to necessary and related testing scripts and documents to support CCSAS SVT and SQT related to SWS versions 1.3 and 1.3.1 only;
- i. Completion of outreach and EFT enrollment activities required by the CCSAS Schedule and as described in the Outreach Plan IM 015 as of the date of the SDU IAR 3 and;
- j. Initial redirection outreach support and installation of Avaya and Onyx ticketing system.

Compensation Milestone 52-2 – Upon the State's approval of the Employer Wage Withholding report generated from SWS to support employer redirection of Non IV-D payments confirming the initial completion of the clean-up of the FL 195 data as demonstrated in SDU Data Validation post SWS data load, the State shall compensate the Service Provider \$1,000,000.00

Compensation Milestone 52-3 – The State shall compensate the Service Provider for on-going outreach service in the amount of \$1,009,740.00 in twelve (12) equal and consecutive payments commencing one month after the issuance of the notice to employers to redirect their Non IV-D payments to the SDU.

Compensation Milestone 52-4 – The State agrees to compensate the Service Provider for the additional volume of Call Center and Electronic Help Desk Transactions that result from the adjustment of the Non IV-D collection approach in one (1) payment of \$1,856,004 to be divided into twelve (12) equal and consecutive payments upon the receipt of Non IV-D payments to the SDU and one (1) payment of \$300,000.00 to be payable July 1, 2007. In addition the State agrees to an amendment of the following transaction rates for the period of time beginning July 1, 2006 and ending July 31, 2007.

- | | |
|----------------|-------------------------|
| • Credit Cards | \$0.61 per transaction |
| • EFT | \$0.94 per transaction |
| • Paper Check | \$1.239 per transaction |

On August 1, 2007, the rates shall return to the rates previously contracted by the Service Provider unless otherwise agreed by the parties subject to a fully executed change order. The State also agrees to use the last quarter of the Non IV-D volumes as an indicator of the overall volume for Non IV-D. IV-D volumes will be based on the prior 12 month period.

7.1.6.4 Change Order CR-C-00053-03 – CCSAS V1 Schedule Revision (added Amendment #2 060706) (updated with CR-C-01043-02) (added Amendment #3 090506)

The State shall compensate the Service Provider for the delay of the redirection of IV-D payments to the SDU and the continuation of the Lockbox First Approach from the scheduled transition date of June, 2006 to July, 2006, the amount of \$617,200.00 for the month of June, 2006 and \$617,200 for each month thereafter that Lockbox First Approach continues. This compensation shall be invoiced in accordance with the

standard invoice process for each month of the Lockbox First Approach continues past the originally scheduled transition date of June 1, 2006.

7.1.6.5 Change Order CR-C-00056-04 – Change Lost Angeles SDU Transition Date (added Amendment #2 060706)

The State shall compensate the Service Provider for the one month delay of the transition of Los Angeles County to the SDU from the scheduled transition date of April 1, 2006 to May 1, 2006, in the amount of \$317,931.43. This amount represents the estimated transaction volumes that would have resulted if there had been non delay in the transition of Los Angeles County to the SDU. This compensation does not increase the cost of the total SDU Service Agreement. This compensation shall be invoiced in accordance with the standard invoice process for the month of April 2006. This is a one-time payment unless otherwise agreed by the parties subject to a fully executed change order.

Table 7-1, Collection and Disbursement Volumes

Months	Collections Volumes					Disbursement Volumes	
	IV-D	Non IV-D	Check	EFT/EDI	Credit Card	IV-D	Non IV-D
Operation 1-6	0	499,827	444,846	54,981	0	0	499,827
Operation 7-12	4,476,975	2,408,915	5,933,302	938,620	13,968	2,968,568	2,408,915
Operation 13-18	7,834,707	3,800,733	9,079,077	2,531,919	24,444	5,194,993	3,800,733
Operation 19-24	8,598,479	4,112,500	9,320,918	3,363,234	26,827	5,701,431	4,112,500
Operation 25-30	8,598,479	4,112,500	9,320,918	3,363,234	26,827	5,701,431	4,112,500
Operation 31-36	9,140,000	4,371,500	9,907,937	3,575,046	28,517	6,060,500	4,371,500
Operation 37-42	9,140,000	4,371,500	9,907,937	3,575,046	28,517	6,060,500	4,371,500
Operation 43-48	9,679,000	4,629,500	10,492,363	3,785,938	30,198	6,418,000	4,629,500
Operation 49-54	9,679,000	4,629,500	10,492,363	3,785,938	30,198	6,418,000	4,629,500
Operation 55-60	10,221,000	4,889,000	11,080,085	3,998,025	31,890	6,777,000	4,889,000
Operation 61-66	10,221,000	4,889,000	11,080,085	3,998,025	31,890	6,777,000	4,889,000
Operation 67-72	10,732,000	5,133,500	11,634,086	4,197,931	33,484	7,116,000	5,133,500
Operation 73-78	10,732,000	5,133,500	11,634,086	4,197,931	33,484	7,116,000	5,133,500
Operation 79-84	11,268,600	5,390,175	12,215,790	4,407,827	35,158	7,471,800	5,390,175

7.1.6.6 Change Order CR-C-00037-02 V2 Replacement Funds When a Collection is NSF (added Amendment #4 123106)

The Service Provider shall add the functionality to support the State's process for obtaining and accepting replacement funds for payments returned to the Child Support Payment Trust Fund as not having sufficient funds for payment. The State shall compensate the Service Provider \$654,885.00 for this additional functionality. This compensation shall be invoiced in accordance with the standard invoice process upon State acceptance of the testing of the code functionality and the movement of said code into the production environment. This is a one-time payment unless otherwise agreed by the parties subject to a fully executed change order.

7.1.6.7 Change Order CR-C-00055-02 Additional SDU Suspense Reason Code (added Amendment #4 123106)

The Service Provider shall provide the functionality for the additional SDU suspense reason code. The State shall compensate the Service Provider in the amount of \$164,869.00. This compensation shall be invoiced in accordance with the standard invoice process upon successful completion of the test scripts as evidenced approval to release the code to Production. This is a one-time payment unless otherwise agreed by the parties subject to a fully executed change order.

7.1.6.8 Change Order CR-C-00057-02 Add Treasury Offset Number to OCSE Intercepts (added Amendment #4 123106)

The Service Provider shall have the capability to accept and exchange the TOP Trace Number to the Office of Child Support Enforcement intercepts with the CSE System. The State shall compensate the Service Provider in the amount of \$280,255.00. This compensation shall be invoiced in accordance with the standard invoice process upon successful completion of the test scripts as evidenced approval to release the code to production. This is a one-time payment unless otherwise agreed by the parties subject to a fully executed change order.

7.1.6.9 Change Order CR-C-01035-02 Modify Systems to Mitigate Effects from Date of Receipt (added Amendment #4 123106)

The Service Provider shall modify their systems to mitigate the date of receipts. The State shall compensate the Service Provider in the amount of \$154,888.00. This compensation shall be invoiced in accordance with the standard invoice process upon successful completion of the test scripts as evidenced approval to release the code to production. This is a one-time payment unless otherwise agreed by the parties subject to a fully executed change order.

7.1.6.10 Additional V2 Testing (added per CR-C-01012-02) (added Amendment #4 123106)

The State shall compensate the Service Provider for the additional CSE Version 2 testing in the amount of \$648,316.00. This amount may be invoiced by the Service Provider upon completion of all testing activities as defined for the monthly period beginning October 2006. The Service Provider will invoice three payments as follows:

November 2006 - \$324,158.00

December 2006 - \$162,079.00

January 2007 - \$162,079.00

7.1.6.11 Change Order CR-C-01012-02 Version 2 Schedule Revision – Extension of Printing Services (added Amendment #4 123106 & Amendment #5 033007)

The State shall compensate the Service Provider for additional printing services beginning at Version 2.0 implementation until the printing services are redirected to Office of State Publishing. Compensation shall be at a rate of \$.05 per printed page and \$.03 per envelope. The Service Provider shall invoice the State for actual volumes processed in the Service Provider's monthly invoice. The Service Provider shall print all forms as provided in accordance with the print file instructions from SWS.

7.1.6.12 Change Order CR-2-00245-03 Conversion of Outstanding Disbursements (added Amendment #5 033007)

The State shall compensate the Service Provider a total of \$164,989.00 for additional reconciliation services for the conversion of outstanding disbursements as described in SOW DB 1.56. A LCSA Wave Conversion is defined as scheduled conversion of a pre-defined group of LCSAs from SWS Version 1.4 to SWS Version 2.1 and more particularly described in the Version 2.1 CCSAS LCSA Implementation Schedule.

Compensation equal to \$74,989 (\$69,989 plus \$5,000) is payable upon validation of the first LCSA Wave Conversion to SWS Version 2.1. For each of the following LCSA Wave Conversions, the Service Provider shall be compensated \$5,000. The current amount budgeted for this compensation to the Service Provider is based on a schedule of eighteen (18) LCSA Wave Conversions to SWS Version 2.0 starting with SWS Version 2.1. If the number of the LCSA Wave Conversions to SWS is reduced below eighteen (18), the State shall only be liable to compensate the Service Provider for the actual LCSA Wave Conversions. If the number of LCSA Wave Conversions to SWS is increased more than eighteen (18), the parties agree that additional compensation to the Service Provider is available only through a fully-executed change order.

7.1.6.13 Change Order CR-3-01068-01 – Valid SDU Payment Sources (added Amendment #5 033007)

The SP will modify the “Valid Payment Sources” for the Alaska Pipeline Fund (ALP), Board of Equalization (BOE), Civil/Criminal Contempt Purge Payment (CPT) and the Public Employee Retirement System (PER) interfaces in the next regularly scheduled submission of the Interface Implementation Description CDL IM 005-2. Upon unconditional acceptance of the next regularly scheduled submission of the Interface Implementation Description CDL IM 005 by the State, the State shall compensate the SP in the amount of \$40,000.00.

7.1.6.14 Change Order CR-C-001065-01 Convert ARS Direct Deposit Data (added Amendment 6 091407)

The State shall compensate the Service Provider for the conversion of the ARS direct deposit data in the amount of \$62,760.00. The Service Provider shall submit a closure document verifying that all conversion of the ARS direct deposit data is complete and free from material defects. Upon acceptance of the closure document by the State, the Service Provider may invoice the State for the full amount of the compensation.

7.1.6.15 Change Order CR-3-01083-01 Update Direct Deposit Form on SDU Website (added Amendment 6 091407)

The Service Provider shall update the Direct Deposit Authorization Form DCSS 0485 on the SDU Website to advise the requesting party to verify their bank account and routing information. The State shall compensate the Service Provider the amount of \$6,059.00 for services required to update this Form 0485 on the SDU website. This compensation shall be invoiced in accordance with the standard invoice process upon State verification by the State’s SDU Manager of the satisfactory completion of the update to the Direct Deposit Authorization Form 0485 on the SDU Website. This is a one-time payment unless otherwise agreed by the parties subject to a fully executed change order.

7.1.6.16 Change Order CR-3-01070-01 California Bank and Trust No Longer an Approved Centralized Treasury System Bank (added Amendment #7 100407)

The Service Provider will change as necessary and required, the processes and systems to: 1) eliminate California Bank & Trust as a depository bank; and 2) add deposits made on California Bank & Trust accounts to the Union Bank Miscellaneous Sort (Misc-Sort) deposit; and 3) update any Contract Deliverables as necessary (i.e. the Collection Procedure Manual CDL CO-001). The State shall compensate the Service Provider in the amount of \$68,000 upon receipt of an invoice verifying completion of such work as described above.

7.1.6.17 Change Order CR-C-01157-02 Delay of V2.1 Implementation (added Amendment #7 100407)

The State shall compensate the Service Provider a total of \$500,000 for additional file exchange and reconciliation services incurred throughout the LCSA CSE V2.1 conversion schedule under CR-C-01157. This compensation shall be paid in fourteen (14) equal installments beginning in September 2007.

7.1.6.18 Change Order CR-3-01244-01 (added Amendment #8 042508)

Upon receipt of a valid invoice, the State shall compensate the Service Provider \$68,000.00 to add Citibank to the Depository Process. The Service Provider shall provide the following modifications to any necessary system, processes, and procedures:

1. Existing procedures will be modified to add the Citibank as a depository bank
 - a. Daily reconciliation
 - b. Daily Deposit Ticket Creation
 - c. Daily Reporting of Deposits
2. Modifications will be made to the NDP-300 Transports to add the Citibank RTN and ACCT Numbers to the current pocket sort pattern. Requires code changes to support.
3. Modifications will be made to current reports which include: ST020, ST071, ST036, ST045, ST079, in addition to all the internal reconciliation that need to reflect Citibank as a current depository bank.
 - Modifications to internal reconciliation reports (Batch Detail, Cash Letter and Bundle listing/Endpoint) to add Citibank as a valid endpoint.

The endorsement stamp for Citibank items will read:

Citibank NA 918
California State Treasurer
DCSS – SDU
Absence of Prior End. Guaranteed
262

In addition, the SP agrees to modify the endorsement stamps as for the other pre-sort and misc-sort depository banks to what is shown below. The modifications o the existing stamps to what is shown below will be included in the cost.

Bank of America 1436
For Deposit Only
California State Treasurer
DCSS – SDU
Absence of Prior End. Guaranteed
262

Union Bank 705 (note: Misc. Sort)
For Deposit Only
California State Treasurer
DCSS – SDU
Absence of Prior End. Guaranteed

Union Bank 705
For Deposit Only
California State Treasurer
DCSS – SDU
Absence of Prior End. Guaranteed

US Bank 3811
For Deposit Only
California State Treasurer
DCSS – SDU
Absence of Prior End. Guaranteed

Westamerica Bank 105
For Deposit Only
California State Treasurer
DCSS – SDU
Absence of Prior End. Guaranteed

Bank of the West 032
For Deposit Only
California State Treasurer
DCSS – SDU
Absence of Prior End. Guaranteed

Wells Fargo
For Deposit Only
California State Treasurer
DCSS – SDU
Absence of Prior End. Guaranteed

**7.1.6.19 Change Order CR-C-1210-02 CSE Refund Check Template (added
Amendment #8 042508)**

The Service Provider shall change the CSE refund check template to allow users the ability to enter free form text to display on the check template that explains the reason for the refund and to provide additional identification data. The State shall compensate the Service Provider in the amount of \$118,940.00 upon receipt by the State of a closure document verified by the Service Provider that the modified check template is available for in production use by users.

7.1.6.20 Change Order CR-C-01297-02 CSE Plan to Go Forward (added Amendment #8 042508)

The State shall compensate the Service Provider for the additional testing and file transfer process necessary to support the extension of the schedule for county conversions to CSE Version 2.1. The total amount of this compensation is \$415,922.00 to be paid in two (2) separate payments. Upon receipt of a valid invoice the State shall pay the Service Provider \$279,056.00 on February 1, 2008, and \$136,866.00 on November 1, 2008.

7.1.6.21 Change Order CR-C-01326-02 Reschedule Monterey and Del Norte County CSE Rollouts (added Amendment #9 111008)

The Service Provider shall reschedule the CSE V2 cutover of Monterey County from December 2007 until January 2008, and the cutover for Del Norte County from May 2007 to April 2007. The State shall compensate the Service Provider the amount of \$65,000.00 in two separate and equal payments upon receipt by the State of a closure document verified by the Service Provider of the completion of additional reconciliation and testing services related to each county conversion from SWS to CSE V2.

7.1.6.22 CR-3-01402-01 Enhances Outreach Support (added Amendment #9 111008)

The State agrees to compensate the Service Provider for enhances outreach activities in an amount equivalent to \$3,800,000.00. This amount will be paid in three (3) compensation milestones of \$1,000,000.00, \$1,000,000.00 and \$1,800,000.00. The first compensation milestone would be paid upon State acceptance of the amended Outreach Plan, the amended Electronic Disbursement Implementation and Management Plan and the State acceptance of first Outreach Activities Schedule. The second compensation milestone is payable upon State Acceptance of a Closure Document verifying implementation of the Electronic Disbursement Pilot. The third compensation milestone is payable upon State acceptance of a Closure Document verifying commencement roll-out electronic disbursement statewide to all non-pilot counties. The total compensation amount includes the cost of postage related to this outreach effort.

The Service Provider agrees to make changes to the SDU Website as directed by the State in furtherance of the enhanced outreach approach without additional cost to the State or compensation to the Service Provider until the conclusion of the Service Agreement as related to the initiatives as outlined in this Change Request (CR-3-01402-01).

The State agrees to close all remaining lockboxes consistent with the Outreach Activities Schedule no later than April 30, 2008.

The State agrees to lead efforts with the Administration of Courts (AOC), Judicial Council and Office of Child Support Enforcement (OCSE) as needed to ensure that child support payments are directed to the SDU. The State would be responsible to provide such efforts only as agreed to in the amended Outreach Plan and the accepted Outreach Activity Schedule.

7.1.6.23 Change Order CR-3-01243-01 Process Rejected and Deleted Files for Converted Outstanding Disbursements (Added Amendment #10 061509)

The Service Provider will provide the services described in SOW DB 1.57. The State will compensate the Service Provider a one-time payment of \$129,855.00 upon acceptance of a closure document verifying that all associated services have been provided.

7.1.6.24 Change Order CR-3-01317-01 Add Check Refusal Date to SDU/CSE Interface (Added Amendment #10 061509)

The Service Provider will provide the services to capture the refusal date that a NSF item was refused by the associated depository bank and to send the refusal date to CSE per SOW CO 1.70. The State will compensate the Service Provider a one-time payment of \$325,000.00 upon acceptance of a closure document verifying that all associated services have been provided.

7.1.6.25 Change Order CR-3-01319-01 Modify SDU Website – “PIN-less Payment” and Enhancements (Added Amendment #10 061509)

The Service Provider agrees to provide the services necessary to modify the SDU Website as described in SOW CO 1.33.1. The State agrees to compensate the Service Provider in the amount of \$273,580.00 upon State acceptance of an updated SDU Collections Procedure (CDL CO 001-2).

7.2 Balanced Scorecard (BSC)

The Balanced Scorecard (BSC) is an SP management performance assessment. The assessment is used as a means to continuously monitor and improve performance, resulting in compliance with selected RFP Section 6 Statements of Work. The intent of the BSC is to mitigate the risk of poor management performance and maximize quality management performance for selected management SOWs.

The BSC is divided into four high level management categories for the purpose of SP performance assessment and scoring. The categories are Problem Resolution Management, Audit Management, Operations Management, and Implementation Management. These categories are closely mapped to SOWs within RFP Section 6 Statements of Work. Each of these four performance categories has been further defined by key attributes and factor questions in the BSC (See example RFP Exhibit 7C). These attributes and factors are used to guide the SP performance assessment

using the BSC. A more complete list of factor questions will be developed in a BSC checklist and made available to bidders prior to contract award. In this approach, the State will evaluate the SP's performance in the following BSC Categories and Attributes as they pertain to the SOWs described in this RFP:

- 1) Problem Resolution Management
 - a) Timeliness
 - b) Accuracy and performance
 - c) Responsiveness, including Help Desk and Non IV-D Customer Service
- 2) Audit Management
 - a) Financial audits
 - b) Separation of duties
 - c) Operational quality assurance
- 3) Operations Management
 - a) Reports management
 - b) Systems management
 - c) Performance (e.g., unidentified payments, electronic payment goals, electronic fee charges) and change control management
- 4) Implementation Management
 - a) Responsiveness and turnover management
 - b) Testing
 - c) Schedule and Transition management

The State shall evaluate the SP's management performance for the previous quarter (3 months) using the BSC. The State shall have five (5) State business days after the end of the quarterly performance period to complete the BSC. The SP will be evaluated on the level of performance achieved during the quarter and graded as satisfactory or unsatisfactory using the RFP Exhibit 7C Balanced Scorecard. The BSC is divided into the four categories with attributes used for evaluating and measuring the performance against the selected SOWs. The RFP Exhibit 7C Balance Scorecard identifies attributes for each of the categories to be considered when determining the SP rating. The BSC will only evaluate performance that the SP is obligated to perform as described in the SOWs. Each performance area evaluated will be given a Satisfactory or Unsatisfactory rating at the attributes level:

- 1) Satisfactory - For the area being evaluated, the SP met responsibilities and problems were satisfactorily resolved with minimal impact to timeliness and quality of processing.
- 2) Unsatisfactory - For the area being evaluated, the SP does not meet the standard for satisfactory performance.

These attribute ratings will be rolled up to the category level and it will be determined if the overall score for each category was satisfactory or unsatisfactory. Satisfactory ratings provided by the State on the Balance Scorecard may include identification of areas for the Service Provider improvement. Unsatisfactory ratings will require additional documentation to be provided to the SP regarding the exceptions rating

received. If the State provides a rating of any Balance Scorecard attribute as unsatisfactory, the State will have an additional five (5) State business days to document specific actions required of the Service Provider to achieve a rating of Satisfactory. The SP may review documentation provided and contest unsatisfactory ratings using the dispute resolution process that can be found in RFP Exhibit 8M Service Agreement, Exhibit C #35 Disputes.

If it is determined that the SP's performance category was unsatisfactory during the quarter, a predetermined weight will be applied against the transaction earnings for the third month of the quarter and multiplied by the Adjustment percentage for each category, with a maximum of 5%. Each of the four categories is equally weighed with a weight of 1.25%. The result of the total Adjustment percentages for each category is then multiplied by that month's Baseline Compensation amount to reflect the total BSC Adjustment. This amount will reduce the Baseline Compensation only on a quarterly basis and be applied only to compensation in the third month of the quarter assessed.

7.3 Invoicing and Payment

The SP will invoice the State on a monthly basis. The monthly invoice shall be itemized and include only amounts due under the contract. The invoice shall include all costs to be charged to the State with regard to the successful performance of the requirements contained in the contract. The SP shall comply with each of the requirements of the specifications, terms and conditions, and payment for the performance of these requirements shall be made in accordance with the Compensation Rate Schedule within the contract. The SP shall include reported interest earnings on child support monies, if any, in its custody. No other charges will be paid by the State.

For compensation purposes, the SP shall invoice based on the volume rate associated with the total number of items (payments, etc.) processed during a given month. Fractions of percentages shall be rounded up to the nearest whole number when determining the rate to be billed per transaction against the estimated volume. (e.g., 9.5% would equal 10% and 9.4% would equal 9% to determine the applicable price rate, per transaction)

The State will verify the invoice and pay any undisputed amounts in accordance with the State's provisions for prompt payment. The State will have additional time to resolve any portions of the invoice that are disputed. At the State's option, the State may pay amounts in question and offset adjustments from later payments when the dispute has been resolved.

7.3.1 Monthly Compensation Calculation

The Monthly Compensation Calculation shown in RFP Exhibit 7B is a representation of the method to be used for SDU SP monthly compensation.

The State will reimburse the SP actual costs of postage for disbursements and other State authorized mailings during. These will be reimbursed under the category of reimbursements within the invoice.

The RFP Exhibit 7B Monthly Compensation Calculation is intended to be an example of what an invoice to the State may contain on a monthly or quarterly basis. The calculation covers baseline transactions (Collections and Disbursements), and Other Compensation transactions (Help Desk and Non IV-D CSC) adjusted for monthly non-performance transactions (SLOs), and plus reimbursements. In this example the State has applied the Balance Scorecard that shows how it would be calculated on a quarterly basis against compensation invoiced for the month.

- 1) Baseline Compensation – This is calculated by multiplying the Number of Collection (for each type) and Disbursement Transactions by the appropriate Collection and Disbursement Transaction rate and entering the total in the Amount Payable Column for each transaction type. The Collection and

Disbursement Amount Payable totals shall be added together and entered in the Baseline Compensation Sub-Total box.

- 2) Other Compensation – This is calculated by multiplying the Number of Other Compensation Transactions by the appropriate Other Compensation Transaction rate and entering the total in the Amount Payable Column for each transaction type. The Help Desk and Non IV-D CSC Amount Payable totals shall be added together and entered in the Other Compensation Sub-Total box.
- 3) Monthly Compensation Sub-Total – This is calculated by adding the Baseline Compensation Sub-Total and the Other Compensation Sub-Total and entering the total in the Monthly Compensation Sub-Total box.
- 4) Service Level Objective Adjustment – This is calculated by multiplying the total number of Transactions Not Meeting SLOs by the appropriate Adjustment rate and entering the total in the Amount Payable column for each SLO type. The SLO Amount Payable totals shall be added together and the total is entered in the SLO Adjustment Sub-Total box.
- 5) Adjusted Baseline Compensation Total – This is calculated by subtracting the total amount in the Service Level Objective Adjustment Sub-Total box from the Monthly Compensation Sub-Total box.
- 6) Reimbursement – This is calculated by multiplying the Number of Mailed Items by the Actual per Item Postage Cost and entering the total in the Amount Payable column. The sum of the Postage Reimbursement Amount Payable column shall be entered in the Reimbursement Compensation Sub-Total box.
- 7) Monthly Compensation – This is calculated by adding the amount in the Adjusted Baseline Compensation Total box to the amount in the Reimbursement Compensation Sub-Total box.

In addition to the Monthly Compensation Invoice, on a quarterly basis the State shall prepare the Balanced Scorecard to evaluate SP performance for the last three months as described in Section 7.2. If one of the BSC Attributes receives an unsatisfactory rating, Compensation for the month shall be offset using the following calculation:

- 8) Balanced Scorecard Adjustment Sub-Total – This is calculated by multiplying 1.25% by the Adjusted Baseline Compensation Sub-Total for each BSC Attribute receiving an unsatisfactory rating during the last three months and entering the total in the Balanced Scorecard Adjustment Sub-Total box.
- 9) Total Monthly Compensation (less BSC) – This is calculated by subtracting the amount in the Balanced Scorecard Adjustment Sub-Total box from the amount in the Monthly Compensation box.